



# County of Los Angeles **CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN  
Chief Administrative Officer

June 25, 2007

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## **COST OF LIVING ADJUSTMENT FOR THE DEPARTMENT OF MENTAL HEALTH (DMH) SERVICE PROVIDERS**

Your Board asked the Chief Administrative Officer (CAO) to report back on the cost for providing a cost of living adjustment (COLA) to DMH service providers using the same Medicare Market Basket method as was used for the Department of Health Services (DHS) Public Private Partnership (PPP) contracts.

As of last year, when your Board approved COLAs for the DHS PPP providers, they had not received rate increases since January 2001. The request from the PPP providers for increased funding to provide them with COLAs was based on the fact that their costs of providing health care to indigent patients had increased, while the rates per service they were being paid stayed the same.

The situation is different for DMH contractors. Recognizing that their costs are increasing, DMH contractors currently have the ability to request increases in their rates and/or seek reimbursement for actual costs in their contracts. Cost of living increases are generally based on the average annual increase of the Home Health Agency Price Index (HHAPI), the DMH equivalent to the DHS Medicare Market Basket. The current HHAPI is 3.3 percent. However, DMH does not have sufficient funding to increase the maximum contract amount for those providers, although their actual costs have increased. Therefore, the Department acknowledges that the contractors may not be able to maintain the same level of services under the funding limits of the contracts.

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Using the 3.3 percent average annual increase in the HHAPI, and applying this to the net County cost (NCC) amounts associated with the EPSDT, non-EPSDT Medi-Cal, and indigent services programs provided by Community Mental Health contractors, the projected cost/NCC increase for a provider COLA is \$5.2 million.

Historically the Board has had the policy not to provide additional net County cost (NCC) to DMH to finance COLA increases for County employee salary increases, inflationary increases for other operating costs, or COLA's for its service providers. DMH has been required to finance such increases from within its existing budget, and the Department has maintained this same policy for its service providers.

If you have any questions or need additional information, please contact me, or your staff may contact David Seidenfeld of my staff at (213) 974-1457 or via e-mail at [dseidenfeld@cao.lacounty.gov](mailto:dseidenfeld@cao.lacounty.gov).

DEJ:SRH:DL  
GP:DS:lbm

c: Executive Officer, Board of Supervisors  
County Counsel  
Auditor-Controller  
Director of Mental Health

COLA-DMH.bm